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Industrial Distribution

March 1986

Hotline:
Distributors
wage war against
business abuses

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Indicators...

Two of the three key indices fell moderately in the latest reporting period while the third dipped slightly. The NIDA/SIDA *Industrial Distribution Index* fell nationally from 146.5 in November to 135.8 in December for a loss of 10.7. All regions showed a decline ranging from a high of 16.3 in the West to a low of 8.6 in the Midwest. The East and South retreated by 11.4 and 10.9 respectively. Despite the loss, the national average still stands slightly ahead, 2.5, of December '84...The November SIDA *Monthly Sales Trend Report* dropped by 10.52 compared with October for the entire association with all areas sharing in the loss. Area III (AL, KY, MS, TN), however, fared the best losing only 2.91. Area I (NC, VA, WV) dropped 11.75, Area II (FL, GA, SC, Puerto Rico) fell by 11.23 and Area IV lost 14.82. Comparing November '85 with November '84 shows a scant 5.24 decline while YTD '85 compared with YTD '84 indicates an insignificant fall of 1.61...While the ASMMA *New Order Index* for November reflected the downward trends of the other two studies, its retreat of 1.1 or .9% to a level of 118.5 is no cause for alarm although it does show a continuation of weakness from the identical highs of 125.5 that the Index registered in June and July of '85...The National Wholesale Hardware Assn. *Hardware Sales Index* for November advanced by 7.8 over October on a national basis. Changes in NWHA regions ranged from a loss of .08 in the Southwest to a healthy gain of 25.9 in the East Central states. The November '85 figure of 131.3 compares with 127.4 in November '84...According to the National Electronic Distributors Assn.' *Distribution Business Index*, daily average shipments for November showed an 8% increase over October.

Stanley buys Bostitch Div. from Textron

NEW BRITAIN,CT—Textron Inc. and The Stanley Works jointly announced that they have signed an agreement for the sale of Textron's Bostitch Div. to Stanley for approximately $193 million. Stanley and Textron expect to have the transaction completed by the end of this month.

Bostitch, headquartered in East Greenwich, RI, a manufacturer of fastening tools and fasteners, had worldwide 1985 sales of more than $200 million. Bostitch employs more than 3300 personnel, about two-thirds of whom

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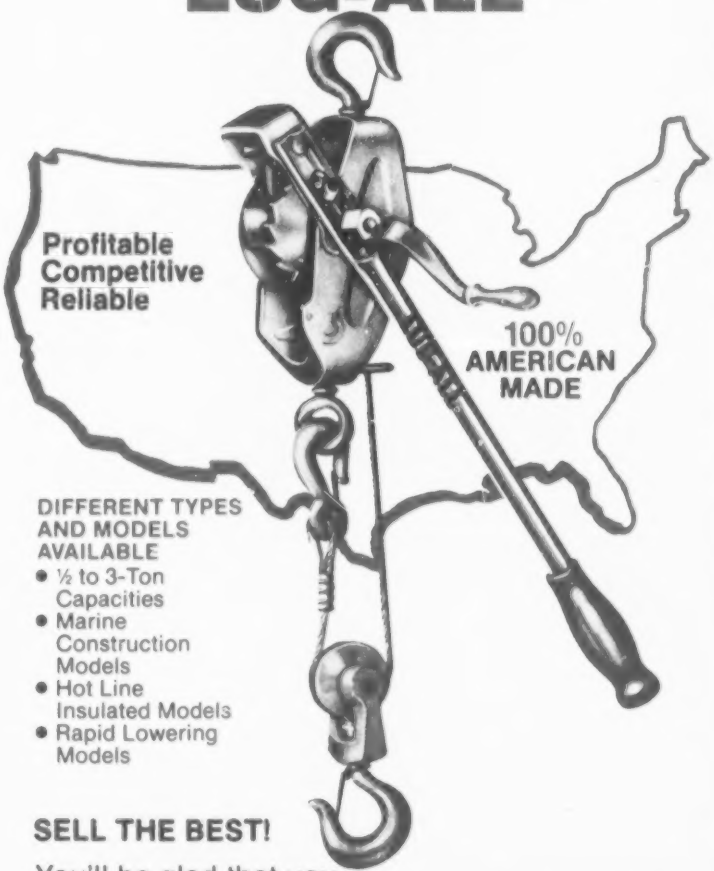

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REGIONAL REPORT

Sales improve in December

Year-end 1985 sales figures from distributors located throughout the U.S. continued to indicate a lack of direction and downward drift. Despite the encouraging numbers registered by the December '85 vs December '84 index, results of distributors reporting are mixed and inconclusive.

Sales for December '85 vs. sales for December '84 increased by 6% on a nationwide basis, only the third such advance registered in the 12 months of 1985. As a result, after several expansions and numerous contractions, the year ended at about the same level that it began.

December '85 vs December '84 figures showed increases in all regions reporting with the Middle Atlantic and South Atlantic states exhibiting healthy growth of 11% and 10% respectively.

While December sales recovered from the 13% decline of November, they continued to demonstrate a lack of direction and softness, ending the month with a net loss of one percent.

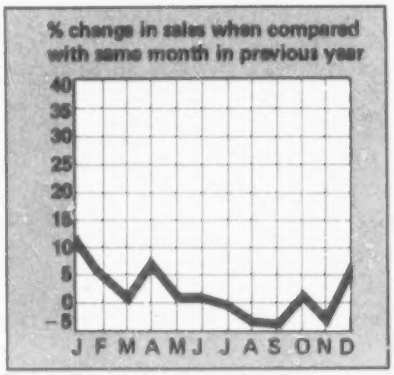
Although New England and the Middle Atlantic states showed a net gain, the other regions drifted or declined, led by a seven percent drop in the East North Central states and a six percent fall in the Pacific states.

Year-to-date '85 compared to year-to-date '84 was essentially inconclusive, showing a net gain of 1% for the nation as a whole.□

RECEIVABLES*

	Dec '85 Gen.	Dec '85 Spec	vs Dec '84 Gen.	Dec '84 Spec.
New England	49	49	50	52
Middle Atlantic	45	45	57	47
South Atlantic	38	40	38	39
East North Central	40	39	40	40
East South Central				
West North Central		40		41
West South Central		42		47
Mountain				
Pacific	37	46	43	45
National	42	43	46	43

* Average days outstanding



December sales come back . . .

SALES BY REGIONS (% change)

	Dec.'85 vs. Nov.'85 Gen.	Spec.	Both	Dec.'85 vs. Dec.'84 Gen.	Spec.	Both	Year end total '85 vs. Year end total '84 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+9	+7	+8	−7	+7	+1	+1		
Connecticut		+7			+7				
Massachusetts	+10			+1			+3		
MIDDLE ATLANTIC: NY, NJ, PA	−5	+11	+8	+1	+13	+11	+2	+4	+3
New York Metropolitan Area									
Upstate New York	−9	−10	−9	+13	+1	+6	+13	+11	+12
Pennsylvania	−2	+20	+16	−14	+16	+9	−15	+6	0
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC, SC, VA, WV	−4	+4	−1	+12	+8	+10	0	0	0
Georgia-Florida	−2			+3			+2		
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	−6	−7	−7	+5	+11	+8	−1	+7	+3
Indiana									
Wisconsin	−4	−7	−6	+6	0	+2	+1	+6	+4
Chicago									
Michigan	−21			−17			−2		
Ohio	−2			+15			+1		
EAST SOUTH CENTRAL: AL, MS, KY, TN									
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−5	−4	−4	−9	+12	+6	−8	+1	−3
WEST SOUTH CENTRAL: AK, LA, OK, TX	−2			+11			−13		
Texas									
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID									
PACIFIC: CA, OR, WA	−2	−19	−6	−4	+21	0	+6	−7	+3
L.A.-San Diego									
Oregon-Washington		+6			+1			−9	
U.S. TOTALS	−3	0	−1	+2	+11	+6	+1	+2	+1

HOTLINE

Distributors wage war against business abuses

From the theft of inventory to embezzlement to kickbacks, employee crime is a growth industry which last year siphoned off $40 billion

NEW YORK—An employee of a Detroit distributor slips an adjustable end wrench into his coat pocket before he leaves at night . . .The purchasing manager of a San Diego distributorship receives a kickback from one of the vendors with whom he does business . . .The bookkeeper working for a Boston distributor mails a check to a dummy company that she has set up. Isolated incidents ? Hardly.

According to the Employee Theft Resource Center, a clearing house for information on employee crime established by the American Hardware Mutual Insurance Co. of Minneapolis, scenes like these are taking place around the country in virtually every business organization with such frequency that the bill for employee crime was estimated recently to be as high as $40 billon.

According to Ralph Childs, president of Childs Associates, a business security consultant who numbers more than 50 industrial distributors among his clients, there are a number of misconceptions prevalent among distributors concerning employee crime.

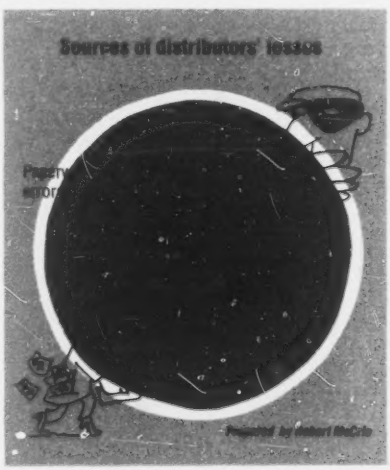
The first, says Childs, is that losses only occur in large distributorships. The fact is that distributors of all sizes from the largest to the smallest have been the victims of what Childs calls *business abuse*.

The second myth Childs mentions is that the major victims of crimes against distributors are located in major cities. Childs points out that crime is as likely to occur in a small town as a large one, citing a shortage of $91,000 from a distributor located in a town of only 3200 residents.

The third myth Childs names is that only men are responsible for losses caused by theft fraud, embezzlement or other abuse. Employee crime is an equal opportunity employer, notes Childs, with women as likely to be the perpetrators as men.

And the final myth cited by Childs is that distributors' products are difficult for a thief to get rid of. Unfortunately, this is simply not so. There are numerous outlets for merchandise stolen from distributors up to and including the distributors' own customers.

While reasons for employee dishonesty can range from an attempt by the employee to compensate himself for what he perceives as being grossly underpaid to a grudge against the owners of the firm, Arthur D'Antonio, vice president of KD&H, a New York security consulting firm, says that there are four major reasons for crimes committed by employees: the need to feed a drug habit, gambling debts, financial problems and the desire for money to pursue a romantic relationship.



Paul Maccabee, a spokesperson for the Employee Theft Resource Center, says that when employers were asked what they thought was the primary reason why employees steal, the answer was suprising. The majority of employers responded that the average employee/thief felt that they weren't paid enough and didn't consider what they were doing as *stealing*.

Robert McCrie editor of a twice-monthly newsletter, *Security Letter*, says that careful screening of potential employees can go a long way toward reducing employee crime. Screening techniques include the use of a polygraph—currently outlawed in 20 states—to determine whether a prospective worker has ever stolen before, a pre-employment written test, checking references and carefully investigating gaps in a potential employee's job history, and examination of educational and military records. Maccabee adds that such exotic techniques as voice stress analysis and even graphology are being used more frequently by employers whom, he says, "are losing millions of dollars every year and feel pushed to the wall."

According to other security experts polled by ***ID***, the key to significantly reducing crime is deceptively simple. "The single most important thing we ask employers," says Maccabee, "is to give their people advance notification of the penalty for stealing. Only 50% of the employers surveyed have an employee manual and only 25% mention the consequences of employee theft in the manual."

Ralph Childs adds that "If you don't communicate to the employee what activity is not acceptable, how do you expect him to abide by what you want to protect." Childs, a former FBI agent, feels so strongly about the need to educate employees about the unacceptability of crime that he founded the National Business Crime Prevention Network which, in addition to preparing management security guides, posters and employee brochures, runs a toll-free *hotline* where employees can report crimes with anonymity.

"The majority of employees will come through," says Childs optimistically, "because business abuse is just as distasteful to them as it is to the employer and they welcome the opportunity to avoid losses".

Doug Harper